

ORIGINAL OPEN MEETING



0000067529

MEMORANDUM

Arizona Corporation Commission 410

DOCKETED

MAR -1 2007

TO: THE COMMISSION

2007 MAR -1 A 10: 54

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: March 1, 2007

DOCKETED BY

NR

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, NOTICE OF STEP-ONE ACRM FILING FOR ITS PARADISE VALLEY WATER DISTRICT (DOCKET NOS. W-01303A-05-0405 AND W-01303A-05-0910)

I. Introduction

On December 19, 2006, Arizona-American Water Company, Inc. ("Arizona-American" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to implement Step-One of the Arsenic Cost Recovery Mechanism ("ACRM") authorized under Decision No. 68858¹ for its Paradise Valley Water District. The application proposed a surcharge of \$15.67 on the monthly minimum charge and \$0.4788 per 1,000 gallons on the commodity charge.

On February 14, 2007, Arizona-American filed a revised application that incorporated several adjustments² and proposed two revenue requirements. One of the proposals would be adopted contingent upon the in-service status of the sludge handling facility at the time this matter comes before the Commission.

The Company's first proposal ("Plan A") excludes the \$399,715 sludge handling facility and its related depreciation expense from the revenue requirement. The Step-One ACRM surcharge under Plan A would be \$14.48 on the monthly minimum charge and \$0.4425 per 1,000 gallons on the commodity rate. Under the Company's Plan A proposal, the average residential customer bill³ would increase by approximately \$34.06 (or 56.84 percent) from \$60.30 to \$94.36.

The Company's alternate proposal ("Plan B") includes the \$399,715 sludge handling facility and its related depreciation expense in the revenue requirement. The Company provided adequate support for \$399,715 amount in its original application. The Company does not plan to revise the cost to reflect any increase in the actual cost of the sludge handling facility. The Step-One ACRM surcharge under the Plan B proposal would be \$14.84 on the monthly minimum charge and \$0.4534 per 1,000 gallons on the commodity rate. Under the Company's Plan B

¹ Dated July 28, 2006

² Discussed in detail in the "Company's Revisions of the Original Application" section of this memorandum

³ Average customer consumption: 44.27 (kGal) per Typical Bill Analysis in Original Application

proposal, the average residential customer bill would increase by approximately \$34.91 (or 57.89 percent) from \$60.30 to \$95.21.

Staff's recommended surcharges for Plan A are shown on Schedule CSB-4. Staff's adjustments increase the Company proposed monthly minimum surcharge per equivalent billing unit (5/8-inch meter) from \$14.48 to \$14.65 and the commodity surcharge rate from \$0.4425 to \$0.4476 per 1,000 gallons. The Staff recommended Step-One ACRM surcharge rates would increase the average monthly residential customer bill by \$34.46 (or 57.15 percent) from \$60.30 to \$94.76 as shown on CSB-4. Staff recommends that Plan A be used if the sludge handling facility is not placed in service by the time this matter comes before the Commission.

Staff's recommended surcharges for Plan B⁴ are shown on Schedules CSB-8. Staff's adjustments increase the Company proposed monthly minimum surcharge per equivalent billing unit (5/8-inch meter) from \$14.84 to \$15.05 and the commodity surcharge rate from \$0.4534 to \$0.4598 per 1,000 gallons. The Staff recommended Step-One ACRM surcharge rates would increase the average monthly residential customer bill by \$35.40 (or 58.71 percent) from \$60.30 to \$95.70 as shown on CSB-4. Staff recommends Plan B if the sludge handling facility is placed in service and is verified by Commission Staff by the time this matter comes before the Commission.

II. Background

The United States Environmental Protection Agency reduced the drinking water standard for arsenic from 50 parts per billion ("ppb") to 10 ppb effective January 23, 2006.

On June 3, 2005, Arizona-American filed an application with the Arizona Corporation Commission ("Commission") for a rate increase in its Paradise Valley Water District. On July 28, 2006, the Commission issued Decision No. 68858 establishing permanent rates for the Paradise Valley Water District.

On December 19, 2006, Arizona-American Water Company, Inc. ("Arizona-American" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to implement Step-One of the Arsenic Cost Recovery Mechanism ("ACRM") authorized under Decision No. 68858 for its Paradise Valley Water District.

On February 14, 2007, Arizona-American filed a revised application.

On February 16, 2007, the Residential Utility Consumer Office ("RUCO") filed its report on the audit of the ACRM for the instant case.

⁴ For purposes of the Plan B arsenic rate base, Staff has utilized the Company's \$399,715 amount and it shall serve as the maximum allowable plant in service for this recommendation in this proceeding.

III. Authorization for an Arsenic Cost Recovery Mechanism (Decision No. 68858)

Decision No. 68858⁵ approved an ACRM surcharge for Arizona-American Water Company's Paradise Valley Water District conditioned upon compliance with the following Staff recommendations:

1. "... Arizona-American Water Company shall comply with all requirements discussed in this Order as a condition of approval of the Arsenic Cost Recovery Mechanism."
2. "... Arizona-American Water Company shall file, by July 1st of each year subsequent to any year in which it collects surcharges under an ACRM, a report with Docket Control showing the Company's ending capital structure (equity, long-term debt, and short-term debt) by month for the prior year."
3. "... as part of the Earnings Test schedule filed in support of the ACRM, Arizona-American Water Company shall incorporate adjustments conforming to Decision No. 67093, as discussed in Staff's recommendation set forth herein."
4. "... Arizona-American Water Company shall file in this docket hard copies of the schedules discussed in its application, as set forth in Staff's recommendations herein, and shall concurrently provide Microsoft Excel or compatible electronic versions of the filings and all work papers to Staff with all ACRM filings."
5. "... ACRM surcharges shall be designed to apply rate design volumetric charges equally to all usage tiers."
6. "Arizona-American Water Company shall file the schedules and information described above, as well as any additional relevant data requested by Staff, as part of any request for an Arsenic Cost Recovery Mechanism step increase."
7. "Arizona-American Water Company shall file a permanent rate application for its Paradise Valley Water District no later than September 30, 2008."

IV. Filing Requirements Compliance (Decision No. 68858)

Staff performed an examination of the Paradise Valley Water District ACRM filing and concluded that it conforms to the requirements specified in Decision No. 68858.

Arizona-American's ACRM filing includes the following schedules that conform to the methodologies required by Decision No. 66400 and adopted by Decision No. 68858.

⁵ Page 44, beginning at line 19

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1. Balance Sheet – dated September 30, 2006.
2. Income Statement – period ending September 30, 2006.
3. Income Statement Adjustments (Earnings Test) – to conform to Decision No. 68858.
4. Rate Review – a rate review filing for the Paradise Valley Water District.
5. Arsenic Revenue Requirement – an arsenic revenue requirement calculation for Step-One.
6. Surcharge Calculation – a detailed surcharge calculation.
7. Rate Base – a schedule showing the elements and the calculation of the rate base.
8. CWIP Ledger – a ledger showing the construction work in progress account.
9. 4-Factor Allocation for September 30, 2006 – a schedule showing the allocation for all of the Arizona-American Water Company Districts.
10. Typical Bill Analysis – ACRM Step-1 – A typical bill analysis showing the effects on residential customers at various consumption levels.

Staff finds that the Company is in compliance with all requirements of Decision No. 68858. Commission records show one outstanding compliance issue regarding Decision No. 68917⁶.

The ACRM schedules provide a basis for the calculation of the surcharge based on financial records and an Earnings Test Schedule which limits the ACRM surcharge when the resulting calculation would result in a rate of return exceeding that authorized in Decision No. 68858.

V. Company's Revisions to Original Application

The Company filed a revised application to address Staff's and RUCO's concerns as follows:

⁶ Tariff sheets in compliance with Decision No. 68917 were scheduled to be filed September 29, 2006. Staff is working with the company to resolve the issue.

A. Arsenic Plant In Service

The Company reduced its plant in service balance by \$735,439, from \$19,382,673 in its original application to \$18,647,234 in its revised application as shown on Schedule CSB-1.

Structures and Improvements – The Company, in both Plan A and Plan B, removed \$41,783 to reflect costs related to non-arsenic uses of the structures and improvements.

Back-up Electricity Generator – The Company, in both Plan A and Plan B, removed \$7,230 to reflect costs related to non-arsenic uses of the back-up generator.

Pumps – The Company, in both Plan A and Plan B, removed \$141,911 to reflect the retirement of three on-site pumps (i.e., 300 hp, 150 hp, and 100 hp) installed in 1995.

Tanks – The Company, in both Plan A and Plan B, removed \$144,800 to reflect 400,000 gallons capacity related to non-arsenic uses of the tank.

Sludge Handling Equipment – Under Plan A, the Company removed \$399,715 in sludge handling equipment from arsenic plant in service. Under Plan B, the Company transferred \$399,715 in sludge handling equipment from Account No. 320, Water Treatment Equipment to Account No. 348, other Tangible Plant.

B. Depreciation Expense

The Company did not have Commission approved depreciation rates for three plant accounts. Therefore, Staff recommended that the Company use approved depreciation rates that came closest to the useful lives of the plant in question. The Company accepted Staff's recommendation. The Company also corrected a typographical error. These adjustments reduced Plan A Depreciation Expense by \$137,991 from \$683,905 to \$545,914 and Plan B Depreciation Expense by \$118,006 from \$683,905 to \$565,899.

VI. Staff's Analysis and Adjustments to Company's Schedules

The Company incorporated an adjustment proposed by RUCO to retire non-arsenic related pumps⁷. According to RUCO, the old pumps were replaced by new pumps that the Company included as part of its arsenic plant. RUCO indicated that these retirements were not properly recorded. RUCO proposed and the Company accepted the proposal to reflect the retirement by reducing the actual reported cost of the arsenic treatment plant.

Staff did not accept the Company's adjustment to reflect the retirements because (1) the intent of the ACRM was to provide recovery for all new arsenic plant that had adequate supporting documentation and was placed in service (2) the ACRM does not provide for changes

⁷ The retired pumps were not used to treat arsenic.

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in non-arsenic related plant to be reflected in the calculation and contemplates that changes to non-arsenic plant will be made in a subsequent rate proceeding and (3) reflecting the non-arsenic plant retirements in the arsenic plant balance would under-state the actual arsenic plant in service balance.

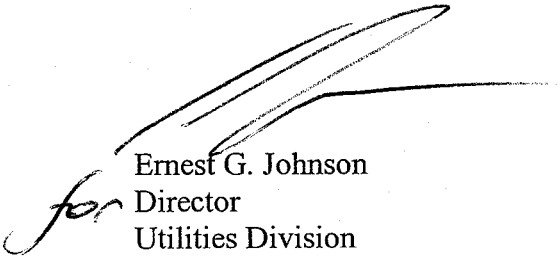
VII. Conclusion and Recommendations

Staff concludes that the Company's Step-One ACRM filing for its Paradise Valley Water District, as adjusted, is complete and in accordance with Decision No. 68858.

Staff recommends that the Company file with the Commission an arsenic removal surcharge tariff consistent with either ACRM Schedule CSB-4 or CSB-8 approved by the Commission.

Staff recommends that Arizona-American Paradise Valley Water District notify its customers of the arsenic cost recovery surcharge tariff approved herein within 30 days of the effective date of this Decision.

Staff recommends that in the event that Arizona-American fails to file a permanent rate application for its Paradise Valley Water system by September 30, 2008, based on a 2007 test year as required by Decision No. 66310, the Arsenic Cost Recovery Mechanism surcharge then in place shall be automatically discontinued.


Ernest G. Johnson
Director
Utilities Division

EGJ:CSB:lhmm\MAS

Originator: Crystal S. Brown

PLAN A
DETAIL OF PLANT AND DEPRECIATION EXPENSE
Excludes \$399,715 Sludge Handling Facility

Line No.	Description	Original Total Per Company	Company Adjustments	Revised Total Per Company	Staff Adjustments	Adjusted Total Per Staff	Appvd. Depr. Rate ¹	Annual Deprec. Expense	Composite Rate
3	304 - PV Arsenic Struct. & Imp.	\$ 13,005,440	\$ (41,783)	\$ 12,963,657	-	\$ 12,963,657	2.00%	\$ 259,273	
4	310 - PV Arsenic Power Prod. Equip.	531,995	(7,230)	524,765	-	524,765	3.33%	17,475	
7	311 - PV Arsenic Pumping Equip.	471,003	(141,911)	329,092	141,911	471,003	4.39%	20,677	
8	320 - PV Arsenic Wtr. Trtmt. Equip.	3,405,028	(399,715)	3,005,313	-	3,005,313	7.06%	212,175	
9	330 - PV Arsenic Dist. Res. & Stp.	204,196	(144,800)	59,396	-	59,396	3.15%	1,871	
10	331 - PV Arsenic T&D Mains	1,649,077	-	1,649,077	-	1,649,077	2.34%	38,588	
11	339 - PV Arsenic Other Plant & Misc.	8,038	-	8,038	-	8,038	4.80%	386	
12	340 - PV Arsenic Offc. Furn. & Equip.	-	-	-	-	-	4.04%	-	
13	343 - PV Arsenic Tools, Shop, & Gar.	4,483	-	4,483	-	4,483	3.61%	162	
14	344 - PV Arsenic Laboratory Equip.	19,865	-	19,865	-	19,865	9.76%	1,939	
15	346 - PV Arsenic Commun. Equip.	83,548	-	83,548	-	83,548	9.76%	8,154	
16	348 - Other Tangible Plant	-	-	-	-	-	5.00%	-	
17		\$ 19,382,673	\$ (735,439)	\$ 18,647,234	141,911	\$ 18,789,145		\$ 560,700	2.98%

Arsenic Plant Rate Base - Per Staff \$ 18,789,145
Arsenic Plant Rate Base - Per Company \$ 18,647,234
Staff's Adjustment \$ 141,911

Depreciation Expense - Per Staff \$ 560,700
Depreciation Expense - Per Company \$ 545,914
Staff's Adjustment \$ 14,786

¹ Decision 68858

PLAN A
REVENUE REQUIREMENT
Excludes Sludge Handling Facility

Line No.		[A] Revised Per Company	[B] Staff Adjustments	[C] Per Staff
1	Arsenic Plant Revenue Requirement			
2	Arsenic Plant in Service/Rate Base	\$18,647,234	\$ 141,911	\$ 18,789,145
3	Depreciation rate	2.93%	0.057%	2.98%
4	Depreciation expense	545,914	14,786	560,700
5	Depreciation expense net of tax savings ¹	335,197	9,079	344,276
6	Recoverable O&M costs	-	-	-
7	Recoverable O&M costs net of tax savings ¹	-	-	-
8	Arsenic Operating Income	\$ (335,197)	\$ (9,079)	\$ (344,276)
9	Rate of return	-1.80%	0	-1.83%
10	Required Rate of Return ²	7.24%	-	7.24%
11	Required Operating Income	1,350,060	(10,274)	1,360,334
12	Operating Income deficiency	1,685,257	(19,353)	1,704,610
13	Gross revenue conversion factor ²	1.62863	-	1.62863
14	Revenue deficiency	<u>\$ 2,744,660</u>	<u>\$ (31,519)</u>	<u>\$ 2,776,179</u>
15				
16				
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21	¹ 38.5989 % tax rate per Dec. 68858			
22	² Decision no. 68858			
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PLAN A
SURCHARGE CALCULATION
Excludes Sludge Handling Facility

Line No.	Growth	[A] Customers	[B] Total Gallons Sold	[C] Gallons Sold Per Cust.	[D] Minimum	[E] Minimum Multiples	[F] Equivalent Meters	[G] Fixed Increment Monthly	[H] Fixed Increment Annual Total
1	Sep. 2005 (Year 1)	4,711	2,993,289	635.38	9.50	1.0	2,390	\$ 14.65	\$ 420,128
2	Sep. 2006 (Year 2)	4,732	3,208,796	678.11	9.83	1.0	33	15.16	5,864
3	Year 2 minus Year 1	21	215,507	43	15.85	1.7	3,369	24.44	592,237
4	Percentage Change	0.45%	7.20%	6.72%	32.00	3.4	253	49.35	44,460
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 + 2)		3,101,043		51.00	5.4	1,436	78.64	252,380
6					94.50	9.9	233	145.72	40,893
7					157.25	16.6	17	242.49	2,916
8					315.00	33.2	166	485.74	29,210
9									
10									
11	Meter Size								
12	5/8-Inch	2,385	2,395	2,390	\$ 9.50	1.0	2,390	\$ 14.65	\$ 420,128
13	3/4-Inch	32	32	32	9.83	1.0	33	15.16	5,864
14	1-Inch	2,015	2,024	2,019	15.85	1.7	3,369	24.44	592,237
15	1.5-Inch	75	75	75	32.00	3.4	253	49.35	44,460
16	2-Inch	267	268	267	51.00	5.4	1,436	78.64	252,380
17	3-Inch	23	23	23	94.50	9.9	233	145.72	40,893
18	4-Inch	1	1	1	157.25	16.6	17	242.49	2,916
19	6-Inch	5	5	5	315.00	33.2	166	485.74	29,210
20									
21									
22									
23									
24									
25									
26									
27									
28									
29	Total	4,803	4,824	4,813			7,896		1,388,090
30									
31									
32	Calculation of Surcharge				Minimum Surcharge			Commodity Surcharge	
33	Total costs to be recovered (Sch. 5 Col A Ln 14)	\$	2,776,179	\$	1,388,090			\$	1,388,090
34	Monthly Minimum Revenue (Col B Ln 33 + 2)								
35	Commodity Revenue (Col B Ln 33 + 2)								
36									
37	Monthly Increment Per Equivalent Meter								
38	Equivalent Meters (Col F Ln 29 x 12 Months)								
39									
40	Minimum Surcharge (Ln 34 + Ln 38)								
41									
42	Average Gallons (Col B Ln 5)								
43									
44	Commodity Surcharge (Ln 35 + Ln 42)								

PLAN A
RATE DESIGN
Excludes Sludge Handling Facility

Monthly Customer Charge Surcharge
5/8" Meter

Company Present Rates Without Surcharge	Company Proposed Surcharge	Staff Recommended Surcharge
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\$ 9.50	\$ 14.48	\$ 14.65
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Commodity Surcharge

Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4425	0.4476
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4425	0.4476
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4425	0.4476

Average Customer Water Usage (gallons)	44,270	44,270	44,270
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Typical Residential Bill

Under Present Rates Without Surcharge	\$ 60.30		
Under Present Rates With Company Proposed Surcharge		\$ 94.36	
Under Present Rates With Staff Recommended Surcharge			\$ 94.76

CURRENT RATES INCLUDING SURCHARGE - Per Company

Monthly Customer Charge
5/8" Meter

Company Present Rates Without Surcharge	Company Proposed Surcharge	Company Total
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\$ 9.50	\$ 14.48	\$ 23.98
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Commodity

Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4425	\$ 1.2025
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4425	\$ 2.0925
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4425	\$ 4.7725

CURRENT RATES INCLUDING SURCHARGE - Per Staff

Monthly Customer Charge
5/8" Meter

Company Present Rates Without Surcharge	Staff Recommended Surcharge	Staff Total
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\$ 9.50	\$ 14.65	\$ 24.15
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Commodity

Commodity Rate 0 to 4,000 gallons	0.7600	0.4476	\$ 1.2076
Commodity Rate 4,001 to 15,000 gallons	1.6500	0.4476	\$ 2.0976
Commodity Rate 15,001 gallons and over	4.3300	0.4476	\$ 4.7776

PLAN B
DETAIL OF PLANT AND DEPRECIATION EXPENSE
Includes Sludge Handling Facility

Line No.	Description	Original Total		Company Adjustments		Revised Total		Adjusted Total		Appvd. Depr. Rate ¹	Annual Deprec. Expense		Composite Rate
		Per Company	Per Company	Per Company	Per Company	Per Company	Per Company	Per Staff	Per Staff		Expense	Expense	
1													
2													
3	304 - PV Arsenic Struct. & Imp.	\$ 13,005,440	\$ (41,783)	\$ 12,963,657	\$ 12,963,657	\$ 12,963,657	\$ 12,963,657			2.00%	\$ 259,273	\$ 259,273	
4	310 - PV Arsenic Power Prod. Equip.	531,995	(7,230)	524,765	524,765	524,765	524,765			3.33%	17,475	17,475	
7	311 - PV Arsenic Pumping Equip.	471,003	(141,911)	329,092	329,092	329,092	329,092	141,911	471,003	4.39%	20,677	20,677	
8	320 - PV Arsenic Wtr. Trtmt. Equip.	3,405,028	-	3,405,028	3,405,028	3,405,028	3,405,028	-	3,405,028	7.06%	240,395	240,395	
9	330 - PV Arsenic Dist. Res. & Stp.	204,196	(144,800)	59,396	59,396	59,396	59,396	-	59,396	3.15%	1,871	1,871	
10	331 - PV Arsenic T&D Mains	1,649,077	-	1,649,077	1,649,077	1,649,077	1,649,077	-	1,649,077	2.34%	38,588	38,588	
11	339 - PV Arsenic Other Plant & Misc.	8,038	-	8,038	8,038	8,038	8,038	-	8,038	4.80%	386	386	
12	340 - PV Arsenic Off. Furn. & Equip.	-	-	-	-	-	-	-	-	4.04%	-	-	
13	343 - PV Arsenic Tools, Shop, & Gar.	4,483	-	4,483	4,483	4,483	4,483	-	4,483	3.61%	162	162	
14	344 - PV Arsenic Laboratory Equip.	19,865	-	19,865	19,865	19,865	19,865	-	19,865	9.76%	1,939	1,939	
15	346 - PV Arsenic Commun. Equip.	83,548	-	83,548	83,548	83,548	83,548	-	83,548	9.76%	8,154	8,154	
16	348 - Other Tangible Plant	-	-	-	-	-	-	-	-	5.00%	-	-	
17		\$ 19,382,673	\$ (335,724)	\$ 19,046,949	\$ 19,046,949	\$ 19,046,949	\$ 19,046,949	141,911	\$ 19,188,860		\$ 588,920	\$ 588,920	3.07%

Arsenic Plant Rate Base - Per Staff \$ 19,188,860
Arsenic Plant Rate Base - Per Company \$ 19,046,949
Staff's Adjustment \$ 141,911

Depreciation Expense - Per Staff \$ 588,920
Depreciation Expense - Per Company \$ 545,914
Staff's Adjustment \$ 43,006

¹Decision 68858

PLAN A
REVENUE REQUIREMENT
Excludes Sludge Handling Facility

Line No.		[A] Revised Per Company	[B] Staff Adjustments	[C] Per Staff
1	Arsenic Plant Revenue Requirement			
2	Arsenic Plant in Service/Rate Base	\$19,046,949	\$ 141,911	\$ 19,188,860
3	Depreciation rate	2.93%	0.141%	3.07%
4	Depreciation expense	557,616	31,304	588,920
5	Depreciation expense net of tax savings ¹	342,382	19,221	361,603
6	Recoverable O&M costs	-	-	-
7	Recoverable O&M costs net of tax savings ¹	-	-	-
8	Arsenic Operating Income	\$ (342,382)	\$ (19,221)	\$ (361,603)
9	Rate of return	-1.80%	0	-1.88%
10	Required Rate of Return ²	7.24%	-	7.24%
11	Required Operating Income	1,378,999	(10,274)	1,389,273
12	Operating Income deficiency	1,721,381	(29,495)	1,750,877
13	Gross revenue conversion factor ²	1.62863	-	1.62863
14	Revenue deficiency	<u>\$ 2,803,494</u>	<u>\$ (48,037)</u>	<u>\$ 2,851,531</u>
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21	¹ 38.5989 % tax rate per Dec. 68858			
22	² Decision no. 68858			
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**PLAN B
RATE DESIGN
Includes Sludge Handling Facility**

	Company Present Rates Without Surcharge	Company Proposed Surcharge	Staff Recommended Surcharge
Monthly Customer Charge Surcharge			
5/8" Meter	\$ 9.50	\$ 14.84	\$ 15.05
Commodity Surcharge			
Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4534	0.4598
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4534	0.4598
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4534	0.4598
Average Customer Water Usage (gallons)	44,270	44,270	44,270
Typical Residential Bill			
Under Present Rates Without Surcharge	\$ 60.30		
Under Present Rates With Company Proposed Surcharge		\$ 95.21	
Under Present Rates With Staff Recommended Surcharge			\$ 95.70

CURRENT RATES INCLUDING SURCHARGE - Per Company

	Company Present Rates Without Surcharge	Company Proposed Surcharge	Company Total
Monthly Customer Charge			
5/8" Meter	\$ 9.50	\$ 14.84	\$ 24.34
Commodity			
Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4534	\$ 1.2134
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4534	\$ 2.1034
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4534	\$ 4.7834

CURRENT RATES INCLUDING SURCHARGE - Per Staff

	Company Present Rates Without Surcharge	Staff Recommended Surcharge	Staff Total
Monthly Customer Charge			
5/8" Meter	\$ 9.50	\$ 15.05	\$ 24.55
Commodity			
Commodity Rate 0 to 4,000 gallons	0.7600	0.4598	\$ 1.2198
Commodity Rate 4,001 to 15,000 gallons	1.6500	0.4598	\$ 2.1098
Commodity Rate 15,001 gallons and over	4.3300	0.4598	\$ 4.7898

MEMORANDUM

TO: Crystal Brown
Public Utilities Analyst V

FROM: D. Hains, P. E. DH
Utilities Engineer

DATE February 26, 2007

RE: Arizona-American Water Company Paradise Valley District
Step-One ACRM Surcharge Filing
(Docket No. W-01303 A-05-0405; WS-01303 A-05-0910)

Introduction

Arizona-American Water Company Paradise Valley District ("PV" or "the Company") has filed for approval of its Step-One ACRM Surcharge. An inspection and evaluation of the Company's PV arsenic treatment system was conducted by Dorothy Hains, Water Utilities Engineer, in the accompaniment of Ed Radwanski and Steve Lutringer, representatives from the Company, on January 18, 2007.

Water System

The Company owns and operates a water system consisting of six wells and 2,207,000 gallon of storage capacity. The Company's six wells can produce 12,500 gallons per minute ("GPM"). Five of the Company's six wells contain arsenic at a level exceeding the new arsenic maximum contaminant level ("MCL") of 10 µg/l. Based on water use data in the Company's 2005 Annual Report, the Company has adequate production and storage capacities to serve its existing customers.

Arsenic Treatment System

The following table lists the arsenic and flow capacities of the wells in the PV water system. The majority of the wells contain arsenic levels exceeding the new MCL.

Well ID	ADWR Well Registration #	Average Arsenic ¹ (µg/l)	Maximum Arsenic ¹ (µg/l)	Flow in gallons per minute ("gpm")
11	55-624805	13.5	18	1,800
12	55-624806	11.1	13	1,800

14	55-624807	10.9	12	2,100
15	55-624808	10.9	14	2,100
16	55-624809	12.7	18	2,200
17	55-537967	8.8	10	2,500
PCX-1 ²	55-564426	8.5	9	2,300

Notes: 1. The average arsenic level for each well was determined based on 10 water quality samples collected between 1995 and 2002.

2. The Company does not own this well. This information is presented for record keeping purposes only.

The Maricopa County of Department of Environmental Services ("MCDES") issued Certificates of Approval to Commence Operations with Stipulations ("Certificates") for PV to install a 21.3 million gallon per day ("MGD") arsenic treatment system on July 11, 2006 and September 13, 2006.¹ The approved project consists of arsenic removal equipment, two 1.5 million gallon ("MG") finished water storage tanks, a booster pump station, a backwash system and a sludge disposal handling system. The arsenic removal equipment consists of an inline jet mixing system and pressurized filter system.

The raw well water is treated with sulfuric acid solution for pH adjustment, sodium hypochlorite (NaOCl) solution to oxidize arsenic (V) to arsenic (III) and disinfection and ferric chloride (FeCl₃) solution for coagulation prior to filtration. The treated water will be stored in the storage tanks prior to being pumped to the distribution system for delivery to customers. The non-treated raw water can be blended with treated water via a bypass blending system prior to entering the storage tanks.

Backwash water from the filter system is stored in two clarifiers, the decant water from the clarifiers is recycled back to the head of the arsenic removal equipment. Solids collected from the clarifiers will be treated for sludge thickening/settling and dewatering prior to being hauled to a landfill.

Project Evaluation

Both Well 15 and Well PCX-1 are located at the Company's Miller Road Treatment Facility ("MRTF") which is located within a United States Environmental Protection Agency ("US EPA") Superfund site. The water produced by these wells contains volatile organic chemicals ("VOC"), such as trichloroethylene, that exceed recommended MCLs. An air stripping tower is used to remove the VOCs before the treated water is pumped to the arsenic removal equipment. Three large booster pumps at the MRTF site had to be replaced with three smaller pumps to reduce pressure and accommodate installation of the arsenic treatment system. Staff therefore concludes that this MRTF pump replacement job was associated with arsenic removal and the cost should be included in this ACRM.

¹ Explain the reason for the two dates in this footnote.

During its field inspection, Staff observed that the arsenic removal equipment, a newly installed booster pump station and two 1.5 MG storage tanks were operating and in service. Staff also observed that construction of the sludge disposal handling system had not been completed. Three on-site storage tanks with total of 700,000 gallons of storage capacity had been disconnected from the Company's water system.

Final treated water from the arsenic treatment system has been sampled and tested. The test results show that the arsenic level in the final treated water is below the new arsenic standard.

Red J. Environmental Corporation has been contracted to haul PV's dry sludge to an approved landfill for disposal.

Staff concludes that the arsenic treatment system, with the exception of the sludge disposal handling system, is operating and in service. Staff concludes that the water being delivered to customers now meets the current water quality standards.

Cost Analysis

In its original step-one ACRM Surcharge filing, PV did not include the cost of one of the 1.5 MG storage tanks because it was needed for fire flow improvements and not for arsenic treatment. In its original filing the Company reported a total construction cost of \$19,382,673 for purposes of establishing the step-one surcharge amount. Staff had two adjustments to the original filing. The first removed \$399,715 for the sludge disposal handling system because its construction had not been completed at the time of Staff's field inspection. Staff's second adjustment reduced the cost of the remaining 1.5 MG storage tank by \$144,800. After reviewing water usage data Staff concluded that only 1.1 MG of this storage tank should be reflected in the step-one ACRM surcharge. The Company agreed with these adjustments and included them in the February 14, 2007 revisions it made to its original filing. Presented in the following table are itemized plant descriptions, costs and Staff's recommended total project cost.

Acct #	Description	Company's Original Filing Total Cost (\$)	Company's Revised Total Cost (\$) ¹	Staff Adjustment (\$)	Staff's Recommended Total Cost (\$)
304	Structure & Improvement	13,005,440	12,963,658 ²		12,963,658 ²
310	Power Producing Equipment	531,995	524,765 ³		524,765 ³
311	Pumping Equipment	471,003	329,092 ⁴	141,911	471,003
320	Water Treatment Equipment	3,405,028	3,005,313 ⁵		3,005,313 ⁵
330	Reservoir & Standpipe	204,196	59,396 ⁶		59,396 ⁶
331	Transmissions & Mains	1,649,077	1,649,077		1,649,077
339	Other Plant & Equipment	8,038	8,038		8,038
343	Tools, Shop & Garage	4,483	4,483		4,483
344	Laboratory Equipment	19,865	19,865		19,865
346	Communication Equipment	83,548	83,548		83,548
	Total	19,382,673	18,647,235	141,911	18,789,146

- Notes:
1. Revisions to the Company's original filing docketed on February 14, 2007.
 2. \$41,783 was removed to reflect acceptance of RUCO's adjustment.
 3. \$7,230 was removed to reflect acceptance of RUCO's adjustment.
 4. \$141,911 was removed to reflect acceptance of RUCO's adjustment which retired three booster pumps at the Paradise Valley Treatment Plant. Staff's adjustment of \$141,911 is made to offset this adjustment because Staff doesn't agree with it.
 5. \$399,715 was removed to reflect acceptance of Staff's adjustment for the sludge disposal handling system which consisted of \$144,715 for the filter press and \$255,000 for the sludge thickener.
 6. \$ 144,800 was removed to reflect acceptance of Staff's adjustment for the 400,000 gallons of storage capacity not related to the arsenic removal project.

Staff does not agree with RUCO's adjustment of the pump retirement. Staff believes this adjustment should be considered in the context of PV's next rate application and not the subject ACRM filing because this plant retirement is not arsenic related. Staff recommends that \$18,789,146 be used for establishing the step-one ACRM surcharge.

Summary

Recommendations

1. Staff recommends that \$18,789,146 be used for establishing the step-one ACRM surcharge.
2. If the sludge handling system is completed and in service prior to the March 13, 2007 (March Open Meeting date), Staff will recommend that the cost of this equipments be included in establishing the ACRM surcharge. This would result in Staff adding \$399,715 to the \$18,789,146 for a revised project total of \$19,188,861.

II. Conclusions:

1. Staff therefore concludes that this MRTF pump replacement job was associated with arsenic removal and the cost should be included in this ACRM.
2. Staff concludes that the arsenic treatment system, with the exception of the sludge disposal handling system, is operating and in service
3. Staff concludes that the water being delivered to customers now meets the current water quality standards.

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
PARADISE VALLEY WATER DISTRICT

DOCKET NO. W-01303A-05-0405

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR APPROVAL OF AN
AGREEMENT WITH THE PARADISE
VALLEY COUNTRY CLUB

DOCKET NO. W-01303A-05-0910

DECISION NO. _____

ORDER

Open Meeting
March 13 and 14, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACTS

I. INTRODUCTION

1. On December 19, 2006, Arizona-American Water Company, Inc. ("Arizona-American" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to implement Step-One of the Arsenic Cost Recovery ...

1 Mechanism ("ACRM") authorized under Decision No. 68858¹ for its Paradise Valley Water
2 District. The application proposed a surcharge of \$15.67 on the monthly minimum charge and
3 \$0.4788 per 1,000 gallons on the commodity charge.

4 2. On February 14, 2007, Arizona-American filed a revised application that
5 incorporated several adjustments² and proposed two revenue requirements. One of the proposals
6 would be adopted contingent upon the in-service status of the sludge handling facility at the time
7 this matter comes before the Commission.

8 3. The Company's first proposal ("Plan A") excludes the \$399,715 sludge handling
9 facility and its related depreciation expense from the revenue requirement. The Step-One ACRM
10 surcharge under Plan A would be \$14.48 on the monthly minimum charge and \$0.4425 per 1,000
11 gallons on the commodity rate. Under the Company's Plan A proposal, the average residential
12 customer bill³ would increase by approximately \$34.06 (or 56.84 percent) from \$60.30 to \$94.36.

13 4. The Company's alternate proposal ("Plan B") includes the \$399,715 sludge
14 handling facility and its related depreciation expense in the revenue requirement. The Company
15 provided adequate support for \$399,715 amount in its original application. The Company does not
16 plan to revise the cost to reflect any increase in the actual cost of the sludge handling facility. The
17 Step-One ACRM surcharge under the Plan B proposal would be \$14.84 on the monthly minimum
18 charge and a \$0.4534 per 1,000 gallons on the commodity rate. Under the Company's Plan B
19 proposal, the average residential customer bill would increase by approximately \$34.91 (or 57.89
20 percent) from \$60.30 to \$95.21.

21 5. Staff's recommended surcharges for Plan A are shown on Schedule CSB-4. Staff's
22 adjustments increase the Company proposed monthly minimum surcharge per equivalent billing
23 unit (5/8-inch meter) from \$14.48 to \$14.65 and the commodity surcharge rate from \$0.4425 to
24 \$0.4476 per 1,000 gallons. The Staff recommended Step-One ACRM surcharge rates would
25 increase the average monthly residential customer bill by \$34.46 (or 57.15 percent) from \$60.30 to

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27 ¹ Dated July 28, 2006

28 ² Discussed in detail in the "Company's Revisions of the Original Application" section of this memorandum

³ Average customer consumption: 44.27 (kGal) per Typical Bill Analysis in Original Application

1 \$94.76 as shown on CSB-4. Staff recommends that Plan A be used if the sludge handling facility
2 is not placed in service by the time this matter comes before the Commission.

3 6. Staff's recommended surcharges for Plan B⁴ are shown on Schedules CSB-8.
4 Staff's adjustments increase the Company proposed monthly minimum surcharge per equivalent
5 billing unit (5/8-inch meter) from \$14.84 to \$15.05 and the commodity surcharge rate from
6 \$0.4534 to \$0.4598 per 1,000 gallons. The Staff recommended Step-One ACRM surcharge rates
7 would increase the average monthly residential customer bill by \$35.40 (or 58.71 percent) from
8 \$60.30 to \$95.70 as shown on CSB-4. Staff recommends Plan B if the sludge handling facility is
9 placed in service and is verified by Commission Staff by the time this matter comes before the
10 Commission.

11 **II. BACKGROUND**

12 7. The United States Environmental Protection Agency reduced the drinking water
13 standard for arsenic from 50 parts per billion ("ppb") to 10 ppb effective January 23, 2006.

14 8. On June 3, 2005, Arizona-American filed an application with the Commission for a
15 rate increase in its Paradise Valley Water District. On July 28, 2006, the Commission issued
16 Decision No. 68858 establishing permanent rates for the Paradise Valley Water District.

17 9. On December 19, 2006, Arizona-American filed an application with the
18 Commission requesting authorization to implement Step-One of the Arsenic Cost Recovery
19 Mechanism ("ACRM") authorized under Decision No. 68858 for its Paradise Valley Water
20 District.

21 10. On February 14, 2007, Arizona-American filed a revised application.

22 11. On February 16, 2007, the Residential Utility Consumer Office ("RUCO") filed its
23 report on the audit of the ACRM for the instant case.

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28 ⁴ For purposes of the Plan B arsenic rate base, Staff has utilized the Company's \$399,715 amount and it shall serve as the maximum allowable plant in service for this recommendation in this proceeding.

1 **III. AUTHORIZATION FOR AN ARSENIC COST RECOVERY MECHANISM**
2 **(DECISION NO. 68858)**

3 12. Decision No. 68858⁵ approved an ACRM surcharge for Arizona-American Water
4 Company's Paradise Valley Water District conditioned upon compliance with the following Staff
5 recommendations:

- 6 a. "... Arizona-American Water Company shall comply with all requirements
7 discussed in this Order as a condition of approval of the Arsenic Cost Recovery
8 Mechanism."
9 b. "... Arizona-American Water Company shall file, by July 1st of each year
10 subsequent to any year in which it collects surcharges under an ACRM, a report
11 with Docket Control showing the Company's ending capital structure (equity, long-
12 term debt, and short-term debt) by month for the prior year."
13 c. "... as part of the Earnings Test schedule filed in support of the ACRM, Arizona-
14 American Water Company shall incorporate adjustments conforming to Decision
15 No. 67093, as discussed in Staff's recommendation set forth herein."
16 d. "... Arizona-American Water Company shall file in this docket hard copies of the
17 schedules discussed in its application, as set forth in Staff's recommendations
18 herein, and shall concurrently provide Microsoft Excel or compatible electronic
19 versions of the filings and all work papers to Staff with all ACRM filings."
20 e. "... ACRM surcharges shall be designed to apply rate design volumetric charges
21 equally to all usage tiers."
22 f. "Arizona-American Water Company shall file the schedules and information
23 described above, as well as any additional relevant data requested by Staff, as part
24 of any request for an Arsenic Cost Recovery Mechanism step increase."
25 g. "Arizona-American Water Company shall file a permanent rate application for its
26 Paradise Valley Water District no later than September 30, 2008."

27 **IV. STAFF ANALYSIS**

28 **A. ACRM Schedules**

13. Arizona-American's ACRM filing includes the following schedules that conform to
the methodologies required by Decision No. 66400 and adopted by Decision No. 68858.

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⁵ Page 44, beginning at line 19

- a. Balance Sheet – dated September 30, 2006.
- b. Income Statement – period ending September 30, 2006.
- c. Income Statement Adjustments (Earnings Test) – to conform to Decision No. 68858.
- d. Rate Review – a rate review filing for the Paradise Valley Water District.
- e. Arsenic Revenue Requirement – an arsenic revenue requirement calculation for Step-One.
- f. Surcharge Calculation – a detailed surcharge calculation.
- g. Rate Base – a schedule showing the elements and the calculation of the rate base.
- h. CWIP Ledger – a ledger showing the construction work in progress account.
- i. 4-Factor Allocation for September 30, 2006 – a schedule showing the allocation for all of the Arizona-American Water Company Districts.
- j. Typical Bill Analysis – ACRM Step-1 – A typical bill analysis showing the effects on residential customers at various consumption levels.

14. Staff finds that the Company is in compliance with all requirements of Decision No. 68858. Commission records show one outstanding compliance issue regarding Decision No. 68917⁶.

15. Staff concludes that the filed schedules conform with the methodologies originally required by Decision No. 66400 and that were subsequently adopted by Decision No. 68858. Staff concludes that the Company's Step-One ACRM filing for its Paradise Valley Water District is complete and in accordance with Decision No. 68858.

16. The ACRM schedules also provide for the calculation of a surcharge based on financial records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an amount that would not result in a rate of return exceeding that authorized in Decision No. 68858.

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⁶ Tariff sheets in compliance with Decision No. 68917 were scheduled to be filed September 29, 2006. Staff is working with the Company to resolve the issue.

B. Company's Revisions to Original Application

17. The Company filed a revised application to address Staff's and RUCO's concerns as follows:

The Company reduced its plant in service balance by \$735,439, from \$19,382,673 in its original application to \$18,647,234 in its revised application as shown on Schedule CSB-1.

Structures and Improvements – The Company, in both Plan A and Plan B, removed \$41,783 to reflect costs related to non-arsenic uses of the structures and improvements.

Back-up Electricity Generator – The Company, in both Plan A and Plan B, removed \$7,230 to reflect costs related to non-arsenic uses of the back-up generator.

Pumps – The Company, in both Plan A and Plan B, removed \$141,911 to reflect the retirement of three on-site pumps (i.e., 300 hp, 150 hp, and 100 hp) installed in 1995.

Tanks – The Company, in both Plan A and Plan B, removed \$144,800 to reflect 400,000 gallons capacity related to non-arsenic uses of the tank.

Sludge Handling Equipment – Under Plan A, the Company removed \$399,715 in sludge handling equipment from arsenic plant in service. Under Plan B, the Company transferred \$399,715 in sludge handling equipment from Account No. 320, Water Treatment Equipment to Account No. 348, other Tangible Plant.

The Company did not have Commission approved depreciation rates for three plant accounts. Therefore, Staff recommended that the Company use approved depreciation rates that came closest to the useful lives of the plant in question. The Company accepted Staff's recommendation. The Company also corrected a typographical error. These adjustments reduced Plan A Depreciation Expense by \$137,991 from \$683,905 to \$545,914 and Plan B Depreciation Expense by \$118,006 from \$683,905 to \$565,899.

C. Staff's Analysis and Adjustments to Company's Schedules

18. The Company incorporated an adjustment proposed by RUCO to retire non-arsenic related pumps.⁷ According to RUCO, the old pumps were replaced by new pumps that the

⁷ The retired pumps were not used to treat arsenic.

1 Company included as part of its arsenic plant. RUCO indicated that these retirements were not
2 properly recorded. RUCO proposed and the Company accepted the proposal to reflect the
3 retirement by reducing the actual reported cost of the arsenic treatment plant.

4 19. Staff did not accept the Company's adjustment to reflect the retirements because:
5 (1) the intent of the ACRM was to provide recovery for all arsenic plant that had adequate
6 supporting documentation and was placed in service, (2) the ACRM does not provide for changes
7 in non-arsenic related plant to be reflected in the calculation and contemplates that changes to non-
8 arsenic plant will be made in a subsequent rate proceeding, and, (3) reflecting the non-arsenic plant
9 retirements in the arsenic plant balance would under-state the actual arsenic plant in service
10 balance.

11 **D. Plant Retirements Costs**

12 20. We concur with Staff that it is not appropriate to reflect non-arsenic costs within the
13 arsenic surcharge

14 21. Staff concluded that the Company's Step-One ACRM filing for its Paradise Valley
15 Water District, as adjusted, is complete and in accordance with Decision No. 68858.

16 22. Staff recommended that the Company file with the Commission an arsenic removal
17 surcharge tariff consistent with either ACRM Schedule CSB-4 or CSB-8 as approved by the
18 Commission.

19 23. Staff recommended that Arizona-American Paradise Valley Water District notify its
20 customers of the arsenic cost recovery surcharge tariff approved herein within 30 days of the
21 effective date of this Decision.

22 24. Staff recommended that in the event that Arizona-American fails to file a
23 permanent rate application for its Paradise Valley Water system by September 30, 2008, as
24 required by Decision No 68858, the Arsenic Cost Recovery Mechanism surcharge then in place
25 shall be automatically discontinued.

26 25. Pursuant to Decision No. 68858, the Company filed the required schedules prior to
27 the implementation of the ACRM.

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CONCLUSIONS OF LAW

ORDER

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1 IT IS FURTHER ORDERED that the revised application by Arizona-American Paradise
2 Valley Water District for approval of an arsenic cost recovery mechanism surcharge tariff shall be
3 in accordance with the attached ACRM Schedule CSB-4.

4 IT IS FURTHER ORDERED that Arizona-American shall notify its customers of the
5 arsenic cost recovery surcharge tariff approved herein within 30 days of the effective date of this
6 Decision.

7 IT IS FURTHER ORDERED that the Company shall file with Docket Control, as a
8 compliance item in this docket, a report showing the Company's ending capital structure by month
9 for the prior year. The first report shall be due on July 1, 2008, and shall be provided each July 1st
10 thereafter until such time as a subsequent order of the Commission discontinues the ACRM
11 surcharge.

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IT IS FURTHER ORDERED that in the event that Arizona-American fails to file a new rate case application for its Paradise Valley Water District by May 31, 2008, the Arsenic Cost Recovery Mechanism surcharge then in place shall be automatically discontinued.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:CSB:lh\MAS

1 SERVICE LIST FOR: Arizona-American Water Company
2 DOCKET NOS. W-01303A-05-0405, et al.

3 Mr. Craig A. Marks
4 Arizona-American Water Company
5 101 Corporate Center
6 19820 North Seventh Street, Suite 201
7 Phoenix, Arizona 85024

8 Mr. Ernest G. Johnson
9 Director, Utilities Division
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Arizona-American Water Company
Paradise Valley Water District
Docket No. W-01303A-05-0280

Schedule CSB-4

PLAN A
RATE DESIGN
Excludes Sludge Handling Facility

	Company Present Rates Without Surcharge	Company Proposed Surcharge	Staff Recommended Surcharge
Monthly Customer Charge Surcharge			
5/8" Meter	\$ 9.50	\$ 14.48	\$ 14.65
Commodity Surcharge			
Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4425	0.4476
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4425	0.4476
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4425	0.4476
Average Customer Water Usage (gallons)	44,270	44,270	44,270
Typical Residential Bill			
Under Present Rates Without Surcharge	\$ 60.30		
Under Present Rates With Company Proposed Surcharge		\$ 94.36	
Under Present Rates With Staff Recommended Surcharge			\$ 94.76

CURRENT RATES INCLUDING SURCHARGE - Per Company

	Company Present Rates Without Surcharge	Company Proposed Surcharge	Company Total
Monthly Customer Charge			
5/8" Meter	\$ 9.50	\$ 14.48	\$ 23.98
Commodity			
Commodity Rate 0 to 25,000 gallons (per 1,000 gallons)	0.7600	0.4425	\$ 1.2025
Commodity Rate 25,001 to 80,000 gallons (per 1,000 gallons)	1.6500	0.4425	\$ 2.0925
Commodity Rate 80,001 gallons and over (per 1,000 gallons)	4.3300	0.4425	\$ 4.7725

CURRENT RATES INCLUDING SURCHARGE - Per Staff

	Company Present Rates Without Surcharge	Staff Recommended Surcharge	Staff Total
Monthly Customer Charge			
5/8" Meter	\$ 9.50	\$ 14.65	\$ 24.15
Commodity			
Commodity Rate 0 to 4,000 gallons	0.7600	0.4476	\$ 1.2076
Commodity Rate 4,001 to 15,000 gallons	1.6500	0.4476	\$ 2.0976
Commodity Rate 15,001 gallons and over	4.3300	0.4476	\$ 4.7776